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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

JOB OPPORTUNITY OR UNDEREMPLOYMENT?

Address by John H. G. Pierson, Economist, Bureau of Labor Statistics, United States Department of Labor, at 21st Annual Agricultural Outlook Conference, Washington, D. C., October 20, 1943.

When the guns stop firing, the workers of the United States will face the biggest reemployment problem this country has ever known. Will this problem be resolved through the creation of job opportunity in constructive peacetime production, or will we take the road back to mass unemployment?

The number of men who will be in the armed forces at that time cannot be exactly foreseen. It might be slightly over 11 million, the publicly announced goal at the present time. On the other hand, if the war in the Asiatic sector continues for a year or more after the cessation of European hostilities, the total number of Americans under arms when Japan at last is defeated might be smaller - possibly 8 to 10 million. After that it looks as though we should still need to keep a substantial force mustered for purposes of national defense. But in any case it seems fairly certain that at least 6 to 9 million ex-servicemen will be looking for peacetime jobs or going back to school in the year after final victory.

On the industrial front, as it takes time to re-tool plants, re-assemble materials and skilled labor, re-schedule production, and re-build distributive organizations, our war industries are bound to release possibly 6 million workers as a net minimum, disregarding many other transfers from plant to plant that will not reduce employment in industry as a whole.

Therefore, unless we can have ready a large-scale program of public works, nonconstruction as well as construction, to throw into immediate operation, a large volume of re-conversion unemployment is going to be developed in the United States. The brighter side of the picture is that at the same time that shrinkage is occurring in munitions manufacture an expansion in other lines can be expected. Some of this expansion is likely to occur automatically and some can be encouraged by constructive national policies. However, for the first 6 to 9 months more workers will be laid off than can be hired in regular lines of work, no matter how favorable conditions may be, and it appears probable that for a year and a half we shall have to draw heavily on unemployment compensation funds.

In essentials this kind of prediction about the immediate demobilization period does not depend on just when the war will end or on just how quickly we can hit our peacetime stride after that. If it takes a year or two more to knock out Japan after Germany has been beaten, some reconversion may well take place before hostilities are over and this, although it may create some unemployment before the war is over, can doubtless shorten the transition period. But, regardless of events that cannot yet be foreseen, the situation in the first 6 months will be that discharges from the armed forces and from war production will rapidly outrun new job opportunities in peace production. In spite of expected voluntary withdrawals from the labor force, millions may be looking for work without being able to find it immediately in private industry and normal peacetime government operations. The chief thing is to lay plans now to hasten conversion; plans by the manufacturer and distributor that can be put in process the moment opportunity affords; plans by the Government to clear the decks so that businessmen can be freed of obligations under war contracts. But, no matter how well these plans may be laid, if we fail to lay plans now for public works to be undertaken at that time, large numbers will be actually unemployed.

Naturally the impact of demobilization will not be evenly distributed over the country, but will affect some geographic areas, some industries, and some occupations much more severely than others. The war has dislocated most of the familiar patterns, bringing huge aircraft, ordnance, and explosive plants to quiet country towns like Choteau, Okla. and Pine Bluff, Ark., expanding key industrial centers beyond anything known there in the past, creating unparalleled demand for certain job skills needed in fashioning the tools of war. The end of the war will reverse much of what has happened since 1940.

The industrial State of Michigan, for example, may find that it has nearly 6 demobilized servicemen¹ and released war workers applying for jobs for every 10 persons employed in the State before the war. In Connecticut, Washington, and Indiana the ratios may run at least $4\frac{1}{2}$ to 10. South Dakota will face a real problem too, but here the proportion may well be only 2 to 10. This is about what can be expected also in North Dakota, North and South Carolina, Mississippi, Wyoming, Vermont, Montana, and other States in which very little specialized war production is located. It should also be emphasized that in any given State the strain will be highly localized in certain communities. In San Diego, Calif. and Wichita, Kans., because of war contracts, the number of factory wage earners employed late in 1942 was at least six times as large as in 1937. In Portland, Ore. it had risen more than 250 percent; in Seattle, Wash. and Norfolk, Va., more than 200 percent. It takes little imagination to foresee the situation in these production centers when the Government stops buying planes and ships for war.

Just as demobilization will hit some regions harder than others, so it will differ in its effects on the different industrial components of our economy. Manufacturing faces the largest total decline. Contrasted with a war peak of around 17 million, a peacetime level of 13 million is possible under very favorable circumstances. This is definitely an optimistic figure. Government employment - Federal, State, and local - also is slated for a big reduction; a cut-back of perhaps 2 million, because the war total of 6 million or more includes a large number of workers in arsenals and Navy Yards, other civilian personnel of the War and Navy

Departments, and employees of various emergency agencies of the Federal Government. Transportation and public utilities are likely to decline slightly. On the other hand, trade may well expand by $1\frac{1}{2}$ million; construction will expand substantially; and some increases are to be expected in finance and services, and in the proprietors and self-employed group. Agriculture may absorb a million or more workers - regardless of whether this is desirable from an over-all and long-range point of view.

The most spectacular declines in manufacturing will be found in the key war industries. Indications are that aircraft production will toboggan down from its wartime peak until it has released $1\frac{1}{2}$ million or more workers. In shipbuilding the reduction will be almost as severe, although spread over a somewhat longer period. Another very large contraction will occur in the manufacture of machinery and machine tools. Iron and steel will be cut back severely, as will the production of chemicals and petroleum products. Aluminum and other nonferrous metals too are expected to decline. The converted automobile industry, after employing some 900,000 on war production, is likely to decline to 400,000 during re-conversion and then climb back to a level around 600,000 - 700,000. On the other side of the picture, certain manufacturing industries such as those producing refrigerators, sewing machines, and electrical appliances, as well as textiles, leather, lumber, and paper, may show an almost immediate expansion.

As far as occupations are concerned, thousands of welders, riveters, turret lathe operators, machinists, tool and die makers, and other skilled and semi-skilled workers will have to transfer to other kinds of work. Unskilled laborers are likely to face a shortage of jobs in many parts of the country. Generally speaking any worker who has learned only a single narrow skill, in a war plant for instance, may have a hard period of readjustment ahead. The jobs opening up in construction will offer some employment opportunities requiring skills little different from those acquired in war industry. On the other hand workers who go into the expanding service fields, in education, health, etc., will usually require a good deal of further training.

Plainly, the situation as a whole will call for the maximum of intelligent action and cooperation on the part of management, agriculture, labor, and Government. No worker needs to be reminded that the worst threat on his post-war horizon is the possible return of mass unemployment such as existed in the 1930's.

Besides this direct connection between his job and his chance for life, liberty, and the pursuit of happiness, the worker recognizes that an unemployment situation produces a competition for the scarce existing jobs that tends to undermine bargaining power and wage rates. It will be much harder to maintain union standards in the demobilization period if there is no conviction that the shortage of regular jobs is only temporary.

Full employment also spells the difference between happiness and hardship for the worker through its influence on the social security program. In the last analysis, social security benefits can come only from production.

If our economic system is operating at full production levels, the Nation can afford generous payments to the old, the worker in transition from one job to another, the sick, and other persons handicapped through no fault of their own; also it can afford financial assistance to enable every young person to complete his or her education and to enable every family in America to live in a decent home in a decent community. But if we waste our human and material resources through unemployment, it is doubtful how many of these benefits can be afforded.

This, then, is a thumbnail sketch of the problem of re-employment that will confront us at the end of the war - a rough estimate of its magnitude in terms of the numbers of persons most immediately affected, and a suggestion of the dangers we face if we fail to understand and deal with the problem. The question is, What can be done about it?

I propose to attempt to answer this question only to the extent of breaking it down into some of its parts and raising a number of further questions about what seem at this time to be the main issues on which the American people are going to have to make up their minds:

(1) What can and should be done to assure quick re-conversion and to create an environment favorable to continued high-level business activity, so that normal enterprise may as quickly as possible provide a real job for every able-bodied American who wants to work? This goes to the roots of our system of individual initiative and free, competitive enterprise.

One part of this central issue involves those things which business men themselves have done most to emphasize. How can Government-owned war plants and surplus war goods be disposed of on terms that will help rather than hinder private enterprise? What should be done about business taxes during the war, about cash settlements when war contracts are cancelled after the war, about loans for re-conversion, and about credit and capital facilities for small business, to provide management with the funds it must have in order to operate? What changes should be made in our basic tax policies to encourage enterprise capital and socially valuable investment?

Another aspect is that of assuring the business man an adequate market. At first, before the full stream of civilian goods has been resumed, there might be too much consumer spending from war savings accumulated in the upper and middle income brackets (unless people are extremely cautious about parting with these funds immediately). Inflation would therefore have to be checked by continued price controls, taxation, and sale of Government bonds. But eventually the problem of inadequate demand for goods is likely to re-emerge, bringing with it unemployment. If it does, how can we afford to rely solely on exports or public works to take up the slack? Foreign markets might shrink; it might be impossible to mobilize quickly enough an adequate volume of useful public works; or too large a part of the total income might still go into savings rather than consumption.

Yet another phase of the problem involves monopolistic restrictions on production. What is to be done to prevent high-price business policies from choking off consumer demand which otherwise would cause expanded output and employment? If prices are held artificially high, consumers will buy less and fewer workers will be employed.

(2) What can and should be done to make it possible to give work at fair rates of pay to those who otherwise might be jobless in the transition period? It takes a long time to get a program that is really worth while to the community into the blueprint stage, and plans should be made now. Should not these plans encompass many small, widely scattered projects, rather than very large ones that are slow in getting under way and that might require workers for longer than the temporary period of unemployment? To be adequate should they not go beyond the limited field of construction to include work projects in public health, recreation, conservation, education, and general public welfare adapted to a broad range of skills?

(3) What can and should be done to provide temporary financial support for demobilized servicemen and war workers to help tide them over the interval before they secure work? Should returning soldiers and sailors be given a cash bonus as furlough with pay, or mustering-out pay at the time of demobilization when they are likely to need it most? Should all workers have adequate unemployment compensation extending over the period for which private or public jobs are not available?

(4) What can and should be done to lessen the abruptness of military and industrial demobilization so that the number of workers appearing in the labor market in the critical first 6 months after the end of hostilities may be cut down? Anything that slows down the release of service men will gain precious time while the up-swing of peacetime production is getting under way. On the other hand, unjustified delays will be strongly resented by the average man in uniform and by his family. Hence action along this line has obvious limits. So far as war industry is concerned, most of it will have to be demobilized rapidly to clear the road for peace production. But this is not so in every case, and policies are needed to decide what war contracts ought to be either continued and gradually tapered off, or else transferred into temporary Government peace contracts.

(5) What can and should be done to make it easier to provide full employment by cutting down the number of workers seeking jobs and the number of hours in the workweek? Is there any doubt that social security and education policies should be strengthened to make possible the voluntary withdrawal from the labor market of women who prefer to work in the home, soldiers and other young people who have not yet completed the education they should have, and workers who have reached retirement age? How far should the workweek in industry be shortened? When we get to the point where the shorter week merely spreads the work and holds down the flow of goods and services wanted by the public it is no substitute for real employment opportunity.

(6) Finally, what can be done to promote workers' ability to move from place to place and from one type of work to another, and thus lower the barriers that sometimes keep workers and available jobs apart? Unquestionably the job-placement service needs to be strengthened, for it will have to handle quickly and effectively the largest volume of job applications in our history. Many may also require help in moving considerable distances to take jobs. Large numbers of wounded soldiers and sailors will need physical rehabilitation before they can resume normal civilian life. All over the country men and women must have new training to fit them for new lines of work.

This last point brings up the idea with which I feel my remarks should close. All over the country men and women will need new jobs, and often new training to fit them for these new jobs. Willingness and ability to make a fresh start will be in greater demand than ever before. This is true not only of individuals but of the Nation as a whole. When the war is over, will it be job opportunity or unemployment? The answer probably hinges in large part on whether Government, labor, agriculture, and management meet the main issues realistically and with fresh imagination - imagination equal to the enormous tasks and opportunities of this generation.